

Dear member,

June 2015

Budget 2014 – Freedom and choice in pensions

Update of the effect on your Affinity Water Defined Contributions pension

We wrote to you in December 2014 following the Chancellor's announcement of significant changes to the pension landscape as part of his 2014 Budget. We have taken the Government's radical shake up of pensions as an opportunity to review the Plan to make sure it is able to continue to meet your future needs and to help you achieve an adequate income in retirement.

Introducing new flexibilities

Whilst you are an active member you and the Company contribute every month to your retirement account. The Government also helps you save by providing you with tax relief on your contributions. To help your savings grow, you choose where to invest your account from a range of investment options. If you leave the Company and do not choose to transfer your retirement account to another pension arrangement your account remains invested in the Plan.

From April 2015 you no longer have to use your savings in your retirement account to secure a regular income at retirement. From age 55 onwards you can now choose to withdraw your savings flexibly over time. This can be in the form of one or more cash payments (part taxed, part tax-free) or more gradually over the period of your retirement. So you will now have the option to take up to 25% of your retirement savings tax free and with your remaining savings:

- Transfer to an annuity policy with an insurance company to secure a regular income;
- Transfer to a 'drawdown' policy and keep your retirement savings invested while withdrawing a flexible income over time;
- Withdraw your retirement savings as a single or series of cash payments.

You don't have to put all of your retirement account savings into one of these options. You can use a combination that's right for you.

Your savings and investment decisions

Throughout your membership of the Plan you should consider your retirement goals in order to help you think about a target income for retirement. Two key factors that will determine the level of your retirement income will be the amount you save and the investment return you achieve on your savings. Over the course of the next 12 months and with the support of Affinity Water, the Trustee will:

- i) Introduce further tools to help you assess what your target retirement income might be and to show you whether you are on track.
- ii) Introduce some changes to the investment options under the Plan to align these with the new flexible options that are now available to you.

We will write you again with further details in autumn 2015. However, for those members who are within 10 years of retirement it is particularly important that you review your investments to check whether these are consistent with the decisions you expect to make when you reach retirement.

Help in making decisions - *Free, impartial guidance at retirement*

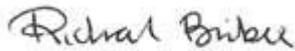
The Government has introduced a new free and impartial guidance service called Pension Wise to help you understand your options and decide how to use your savings at retirement. It's available online, by phone or face-to-face:

- For details of Pension Wise visit www.pensionwise.gov.uk or call 030 0330 1001
- Face-to-face guidance is available at certain Citizens Advice Bureau. For details visit www.citizensadvice.org.uk or call 03444 111 445

You should use this service and consider taking impartial financial advice to help you decide what option is most suitable for you. You can find an adviser in your area at www.unbiased.co.uk. Information can also be found online at www.moneyadviceservice.org.uk.

The Company has agreed to continue paying £275 to cover the cost of a specialist firm called Origen to provide an enhanced guidance service at the point of retirement that will help identify the right deal for you. We are looking at other services which could help you make decisions at retirement and will update you on our progress later this year.

Yours sincerely,



Richard Brimble
Trustee Chairman